

# **State of Alaska FY2008 Governor's Operating Budget**

**Office of the Governor  
Office of Management and Budget  
RDU/Component Budget Summary**

**RDU/Component: Office of Management and Budget***(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)***Contribution to Department's Mission**

To ensure the state's financial resources are budgeted and managed in a way that produces results that advance the Governor's priorities.

**Core Services**

- Prepare, secure its approval, and implement the Governor's Budget.  
Guide agencies for continuous improvement of services.
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End Results	Strategies to Achieve Results
<b>A: Achieve long-term fiscal stability in the State of Alaska</b>  <u>Target #1:</u> Balance expenditures with revenue within a five-year period <u>Measure #1:</u> Annual percentage of recurring expenditures paid for by current year revenues	<b>A1: Reduce reliance on Constitutional Budget Reserve in order to balance budget</b>  <u>Target #1:</u> No greater than a \$400 million draw from the Constitutional Budget Reserve annually <u>Measure #1:</u> Annual amount drawn from the Constitutional Budget Reserve  <u>Target #2:</u> Reduce percentage of general fund budget funded from the Constitutional Budget Reserve from FY2003 level of 20% <u>Measure #2:</u> Percentage of general fund budget funded from the Constitutional Budget Reserve  <u>Target #3:</u> Maintain \$1 billion Constitutional Budget Reserve balance <u>Measure #3:</u> Fiscal year beginning balance of the Constitutional Budget Reserve  <b>A2: Fund initiatives that over time will provide increased revenue to the State</b>  <u>Target #1:</u> Increase revenue from new initiatives funded during the fiscal year <u>Measure #1:</u> Amount of projected revenue increases due to new initiatives funded during the fiscal year  <b>A3: Maintain the State's excellent credit rating</b>  <u>Target #1:</u> Maintain Aa2 or AA credit rating <u>Measure #1:</u> Actual credit rating
End Results	Strategies to Achieve Results
<b>B: Departments show improvement towards their performance targets</b>  <u>Target #1:</u> 90% of departmental performance measures are showing annual progress towards achieving desired	<b>B1: Improve the agencies' capacity to link activities to end results</b>  <u>Target #1:</u> 98% of agencies have performance measures that indicate whether results are being achieved and report

end results. Measure #1: Percent of departmental performance measures showing improvement	on those measures annually (minimum) Measure #1: Percent of agencies with performance measures reported annually
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### Major Activities to Advance Strategies

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| <ul style="list-style-type: none"> <li>• Strategic planning work sessions</li> <li>• Produce performance management plans</li> <li>• Continued performance management training and coaching</li> <li>• Identify, prioritize and fund traditional responsibilities</li> <li>• Develop and propose appropriate legislation</li> </ul> | <ul style="list-style-type: none"> <li>• Collaborate with departments</li> <li>• Research and analyze new service improvement ideas</li> <li>• Public outreach</li> <li>• Identify priority programs and projects set out by the Governor</li> <li>• Implement budget software enhancements</li> </ul> |
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### FY2008 Resources Allocated to Achieve Results

**FY2008 Component Budget: \$2,477,000**

**Personnel:**

Full time	21
Part time	0
<b>Total</b>	<b>21</b>

## Performance Measure Detail

### A: Result - Achieve long-term fiscal stability in the State of Alaska

**Target #1:** Balance expenditures with revenue within a five-year period

**Measure #1:** Annual percentage of recurring expenditures paid for by current year revenues

#### Percent of Expenditures Paid for by Revenues

Fiscal Year	YTD Total
FY 2008	100% (projected)
FY 2007	100% (projected)
FY 2006	100%
FY 2005	99.1%
FY 2004	96.8%
FY 2003	82%
FY 2002	64.8%

## A1: Strategy - Reduce reliance on Constitutional Budget Reserve in order to balance budget

**Target #1:** No greater than a \$400 million draw from the Constitutional Budget Reserve annually

**Measure #1:** Annual amount drawn from the Constitutional Budget Reserve

### Amount Drawn From the Constitutional Budget Reserve (in millions)

Fiscal Year	YTD Total
FY 2008	\$0.0 projected
FY 2007	\$0.0 projected
FY 2006	\$0.0
FY 2005	\$34.9
FY 2004	\$10.8
FY 2003	\$498.1
FY 2002	\$884.3

**Target #2:** Reduce percentage of general fund budget funded from the Constitutional Budget Reserve from FY2003 level of 20%

**Measure #2:** Percentage of general fund budget funded from the Constitutional Budget Reserve

### Budget Percentage Funded from Constitutional Budget Reserve

Fiscal Year	YTD Total
FY 2008	0% projected
FY 2007	0% projected
FY 2006	0%
FY 2005	.01%
FY 2004	.5%
FY 2003	20%

**Target #3:** Maintain \$1 billion Constitutional Budget Reserve balance

**Measure #3:** Fiscal year beginning balance of the Constitutional Budget Reserve

### Beginning Balance of the Constitutional Budget Reserve (in millions)

Fiscal Year	YTD Total
FY 2008	\$2,600.0 (projected)
FY 2007	\$2,423.7
FY 2006	\$2,235.7
FY 2005	\$2,155.1
FY 2004	\$2,093.6
FY 2003	\$2,466.9
FY 2002	\$3,110.1

## A2: Strategy - Fund initiatives that over time will provide increased revenue to the State

**Target #1:** Increase revenue from new initiatives funded during the fiscal year

**Measure #1:** Amount of projected revenue increases due to new initiatives funded during the fiscal year

### Amount of Projected Revenue Increases due to New Initiatives (in millions)

Fiscal	YTD Total
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Year	
FY 2008	unknown at this time
FY 2007	\$1,270.0
FY 2006	\$276.1
FY 2005	\$175.4
FY 2004	\$70.1

**Analysis of results and challenges:** The amount for FY07 reflects \$1.1 billion from implementation of the petroleum production tax that was effective April 1, 2006 and \$170 million from tobacco bond refinancing.

The amount for FY06 reflects \$191.1 million, a full year of the ELF adjustment, and \$85 million in Alaska Student Loan Corporation bond proceeds.

The amount for FY05 reflects \$55.4 million due to the partial year implementation of the economic limit factor (ELF) adjustment, \$45 million in Alaska Housing Finance Corporation bond proceeds, and \$75 million in Alaska Student Loan Corporation bond proceeds.

The amount for FY04 reflects several fee and license increases.

### A3: Strategy - Maintain the State's excellent credit rating

**Target #1:** Maintain Aa2 or AA credit rating

**Measure #1:** Actual credit rating

#### State of Alaska's Credit Rating Moody's/Standard & Poor's/Fitch

Fiscal Year	Rating by Entity	Outlook by Entity
FY 2008	Aa2/AA/AA (projected)	Stable/Stable/Stable (projected)
FY 2007	Aa2/AA/AA	Stable/Stable/Stable
FY 2006	Aa2/AA/AA	Stable/Stable/Stable
FY 2005	Aa2/AA/AA	Stable/Stable/Stable
FY 2004	Aa2/AA/AA	Negative/Stable/Stable
FY 2003	Aa2/AA/AA	Negative/Stable/Stable

**Analysis of results and challenges:** Alaska is currently at the third most positive credit rating; there are only two higher levels.

The range of outlooks run from Positive, Stable, Negative, Credit Watch. A "Credit Watch" outlook is indicative of an upcoming rating decrease. The impact of a one step rating change is an interest rate change of 10-50 basis points (or 0.1% to 0.5%).

It is unlikely that Alaska's credit rating will improve for several reasons: lack of a comprehensive fiscal plan, narrow revenue base (oil production), and debt repayment capacity. The prospect of issuing a large amount of debt (currently estimated at \$3-4 billion) to finance the gas pipeline, albeit accompanied by a large annual revenue stream, could have an unknown effect on the state's credit rating. That said, however, the fact that the Permanent Fund has a balance of \$35.4 billion makes Alaska unique in the credit markets.

**B: Result - Departments show improvement towards their performance targets**

**Target #1:** 90% of departmental performance measures are showing annual progress towards achieving desired end results.

**Measure #1:** Percent of departmental performance measures showing improvement

**Percent of Performance Targets Showing Improvement**

Year	YTD Total
2007	
2006	75%
2005	75%
2004	48%

**B1: Strategy - Improve the agencies' capacity to link activities to end results**

**Target #1:** 98% of agencies have performance measures that indicate whether results are being achieved and report on those measures annually (minimum)

**Measure #1:** Percent of agencies with performance measures reported annually

**Percent of Agencies with Performance Measures Reported Annually**

Year	YTD Total
2007	
2006	98%
2005	96%
2004	57%

**Key Component Challenges**

- Regardless of the price of oil, the state needs to balance its budget while maintaining stability for the Alaska economy and reliable services for Alaskans. While the current high oil prices are generating significant additional revenue for the state, this cannot be sustained over the long term due to declining oil production.
- Continue to work to implement more effective results-based budgeting and decision making.

**Significant Changes in Results to be Delivered in FY2008**

*Mission and Measures* – OMB, working with the departments, has made significant progress in advancing the state along its journey to performance-based management and budgeting decision-making. In preparation for fiscal year 2008, all agencies have, with Missions & Measures as a foundation, created performance-based frameworks that communicate specific end results to be delivered, enabling strategies, performance targets with attendant measures, and logically connected programmatic activities. These "road maps" will be used by OMB to guide future funding recommendations and by agency management as a tool to assist in making forward-looking, results-focused management and budget decisions.

**Major Component Accomplishments in 2006**

- A primary criterion for judging the performance of OMB is how much of the Governor's agenda, as expressed in the annual budget proposal, gets enacted into law. Since the Legislature has the ultimate power of appropriation, passage of the initiatives embodied in the Governor's budget proposal is more important than number targets. The FY07 budget reflected two of the Governor's budget goals:
  1. Treated the FY06 general fund surplus as a windfall. The Legislature appropriated \$565 million of FY06 revenue into the Public Education Fund for use in FY07 and appropriated \$300 million into the Fund for use in FY08 to fund K-12 education. The Legislature also appropriated \$300 million for future capital projects, such as investment in the gas pipeline.
  2. With the passage of the Petroleum Production Tax legislation, \$182.7 million was deposited into the Power Cost

Equalization Endowment Fund to generate earnings in the future that will be used to pay for the cost of the power cost equalization program. In addition, \$73.1 million was appropriated to the public school construction grant fund for the three school projects in rural Alaska.

- Continued to improve the capacity for agencies to align resources with priority service results by enhancing the Missions and Measures performance management program.
- Further refined the Missions and measures web site as a communication tool on how public money is being invested to produce results that matter to Alaskans.
- Made substantial improvements to the online Alaska Budget System used by departments to submit their budgets to OMB.

## Statutory and Regulatory Authority

AS 37.07, AS 37.06, AS 44.19.145

Contact Information
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# Office of Management and Budget Component Financial Summary

*All dollars shown in thousands*

	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	1,869.8	2,052.7	2,351.4
72000 Travel	41.4	7.0	7.0
73000 Services	206.4	104.6	104.6
74000 Commodities	7.8	9.0	9.0
75000 Capital Outlay	16.6	5.0	5.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>2,142.0</b>	<b>2,178.3</b>	<b>2,477.0</b>
<b>Funding Sources:</b>			
1004 General Fund Receipts	2,026.7	2,178.3	2,477.0
1007 Inter-Agency Receipts	115.3	0.0	0.0
<b>Funding Totals</b>	<b>2,142.0</b>	<b>2,178.3</b>	<b>2,477.0</b>



**Summary of Component Budget Changes  
From FY2007 Management Plan to FY2008 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2007 Management Plan</b>	<b>2,178.3</b>	<b>0.0</b>	<b>0.0</b>	<b>2,178.3</b>
<b>Adjustments which will continue current level of service:</b>				
-FY 08 Health Insurance Increases for Exempt Employees	3.8	0.0	0.0	3.8
<b>Proposed budget increases:</b>				
-FY 08 Retirement Systems Rate Increases	294.9	0.0	0.0	294.9
<b>FY2008 Governor</b>	<b>2,477.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2,477.0</b>

**Office of Management and Budget  
Personal Services Information**

Authorized Positions			Personal Services Costs	
	<u>FY2007</u> <u>Management</u> <u>Plan</u>	<u>FY2008</u> <u>Governor</u>		
Full-time	21	21	Annual Salaries	1,448,375
Part-time	0	0	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	1,026,909
			<i>Less 5.00% Vacancy Factor</i>	(123,884)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>21</b>	<b>21</b>	<b>Total Personal Services</b>	<b>2,351,400</b>

**Position Classification Summary**

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Admin Support Technician	0	0	3	0	3
Analyst Programmer III/IV	0	0	1	0	1
Analyst/Programmer V	0	0	1	0	1
Chief Analyst	0	0	1	0	1
Chief Budget Analyst	0	0	1	0	1
Director of OMB	0	0	1	0	1
Internal Auditor IV	0	0	1	0	1
Management Analyst	0	0	1	0	1
OMB Admin. Assistant	0	0	1	0	1
Program Budget Analyst I	0	0	1	0	1
Program Budget Analyst II	0	0	1	0	1
Program Budget Analyst IV	0	0	1	0	1
Program Budget Analyst V	0	0	6	0	6
Senior Economist	0	0	1	0	1
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>0</b>	<b>21</b>